

## **PROGRAM-SPECIFIC REQUIREMENTS: CDBG & HOME**

### **CDBG: SPECIFIC SUBMISSION REQUIREMENTS**

#### ***Sources of Funds***

See Listing of Proposed Projects & Resources for information on program income and revolving loan funds.

#### ***Float-funded Activities***

Not Applicable

#### ***Locations***

See Listing of Proposed Projects for information and Geographic Distribution Section of the Plan.

#### ***Contingency***

See Listing of Proposed Projects for information on the contingency costs.

#### ***Urgent Needs***

Not Applicable

## **HOME: SPECIFIC SUBMISSION REQUIREMENTS**

### **American Dream Downpayment Assistance Program (ADDI) City of Cambridge ADDI Program Guidelines As Implemented at Section 92 of the National Affordable Housing Act of 1990 (NAHA)**

The Cambridge American Dream Downpayment Assistance Program will offer downpayment and closing cost assistance to low and moderate-income first-time homebuyers purchasing a home in the City of Cambridge. The assistance amount will be up to the greater of \$10,000 or 6% of the sales price. This assistance will be available to both homebuyers purchasing homes on the open market and to homebuyers purchasing affordable limited-equity homeownership units through various programs offered by the City of Cambridge. This assistance may be used with first-time homebuyer mortgages sponsored through the State of Massachusetts in conjunction with private lenders. Twenty percent (20%) of the assistance amount will be forgiven each year after the date of closing provided the buyer continues to reside in the property as their primary residence.

The City will examine the capacity of each applicant to undertake and maintain homeownership as part of the application process. This will involve examining available assets, credit, mortgage eligibility, and estimated percentage of gross income to be devoted to homeownership expense.

The City of Cambridge will advertise the program in its marketing materials and on its web site. In addition, the City will include the program as part of the curriculum for its monthly first-time homebuyer class. Marketing materials describing the program will be distributed to local lenders and real estate agents. The City will also include information about the program when marketing affordable homeownership units and when conducting regular outreach events advertising the various housing services offered by the City.

We will use ADDI funds to augment the resources used in the meeting of Objective #3 in the Affordable Housing Objectives section of this document. ADDI will be administered under the HOME program grant.

## **SUMMARY OF ADDI REGULATORY CITATIONS AND REFERENCES**

Generally, requirements for HOME-assisted homebuyer projects apply to ADDI projects. However, there are some nuances in the ADDI statute that make the requirements differ slightly. Below is a summary of the HOME regulation sections that applies to ADDI. *Statutory source of requirements: National Affordable Housing Act of 1990 (NAHA).*

For more information please visit:

<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/addi/index.cfm>

### **SUBPART E - PROGRAM REQUIREMENTS**

- Private-public partnership (§ 92.200);
- Distribution of assistance (§ 92.201);
- Income determinations (§ 92.203);
- Pre-award costs (§ 92.212); and
- Matching contribution requirements of §§ 92.218 – 92.222 (apply only to FY 2003 ADDI funds).

### ***SUBPART F - PROJECT REQUIREMENTS***

- Maximum per-unit subsidy amount under § 92.250(a) applies to the total HOME and ADDI funds in a project;
- Property standards (§ 92.251);
- Affordability requirements (§ 92.254(a) and (c));
- If a project receives both HOME and ADDI funds, the total of HOME and ADDI funds in the project is used for calculating the period of affordability described in § 92.254(a)(4) and applied to resales (§ 92.254(a)(5)(i)) and recaptures (§ 92.254(a)(5)(ii)).

### ***SUBPART H - OTHER FEDERAL REQUIREMENTS***

- Federal and nondiscrimination requirements (§ 92.350);
- Environmental review (§ 92.352);
- Labor requirements (§ 92.354);
- Lead-based paint (§ 92.355);
- Conflict of interest (§ 92.356); and
- Consultant activities (§ 92.358).

### **SUBPART K - PROGRAM ADMINISTRATION**

- HOME Investment Trust Fund under § 92.500, with the exception of paragraphs (c)(2) and (d)(1)(A);
- HOME Investment Partnerships Agreement (§ 92.501);
- Program disbursement and information system (§ 92.502);
- Program income, repayments and recaptured funds under § 92.503, except the program income and recaptured funds must be deposited in the participating jurisdiction's HOME investments trust fund local account and used in accordance with the HOME program requirements;
- Participating jurisdiction responsibilities and written agreements (§ 92.504);
- Applicability of uniform administrative requirements (§ 92.505);
- Audit (§ 92.506);
- Closeout (§ 92.507);

- Recordkeeping (§ 92.508), (sections relevant to homebuyer assistance); and
- Performance reports (§ 92.509).

## **GUIDELINES FOR RESALE OF HOME UNITS**

The City of Cambridge has had considerable experience designing, administering, and enforcing limited equity agreements, i.e. resale agreements. It has been our experience over time that, depending on market conditions, unit locations, the base price of units, and the type of ownership, different forms of restrictions may be appropriate. Cambridge will work to continue to refine equity agreements to ensure that units remain affordable for the longest possible time.

For HOME-funded first time homeownership projects, the City of Cambridge will enforce resale restrictions for, at a minimum, the following terms:

- Existing property                      15 years
- New construction                      20 years

The City requires affordability for a minimum of 50 years and longer terms may be required, depending on the depth of the subsidy and whether other funding sources are used. It is a requirement of the HOME program that units remain affordable on turnover to a reasonable range of low-income buyers. The City of Cambridge will ensure that, upon resale, these conditions are met. This will be done through resale restrictions on owners, and additional write-downs of the sales price when required.

Resale restrictions on owners will be structured so that, in general, the owner can receive a maximum resale price upon sale that, after loan repayment, reflects the owner's equity contribution to the property. For condominium units, fee simple units, and units owned but subject to a ground lease, the maximum resale value may include the initial downpayment, debt repaid, the value of the approved capital improvements, and inflation adjustments on either the total unit price or any of the individual factors. Depending on whether other subsidies or low interest loans are used, equity may be reduced or disallowed for any of these factors.

### ***Other Forms of Investment***

The City of Cambridge plans to use one or more of the following forms of financial investment:

- Interest bearing loans
- Non-interest bearing loans
- Deferred loans (forgivable or repayable)
- Grants
- Interest subsidies (leveraging approaches, subject to C/MI constraints)

- Equity investments (downpayment assistance, etc.)

While the City does not anticipate using any other forms of investment, it will consider any that HUD approves.

## **AFFIRMATIVE MARKETING FOR HOME**

The City of Cambridge has an Affirmative Marketing Agreement and Statement (see below) that is included in all HOME written agreements. Furthermore, the City requires a written tenant selection policy from owners of rental properties as part of the HOME agreement.

### **HOME PROGRAM AFFIRMATIVE MARKETING POLICY AND PROCEDURES STATEMENT**

In accordance with the regulations of the HOME Program (CFR 92.351), the City of Cambridge has adopted affirmative marketing procedures for housing, containing 5 or more units, that are assisted with HOME Program funds. In furthering the City's commitment to non-discrimination and equal opportunity in housing, it has set up affirmative marketing procedures based on those established by the City under the HUD Rental Rehabilitation Program (24CFR part 511).

1. The City will inform the public, owners, and prospective tenants about the Fair Housing Laws and the Cambridge Affirmative Marketing policy and procedures in the following ways;
  - Include the Fair Housing Laws summary and the Affirmative Marketing Statement (to be signed by the owner) in the HOME Program Written Agreement for each project funded.
  - Place special notices and announcements about Fair Housing Laws and the Affirmative Marketing Policy in the Boston Globe, the Cambridge Chronicle or the Cambridge TAB, the Bay State Banner and El Mundo.
  - Provide potential tenants, through CHDOs and other owners, with copies of the Fair Housing Laws summary and the Affirmative Marketing Policy.
2. The City will require owners in the HOME program to carry out the affirmative marketing procedures and requirements as follows;
  - Sign the Affirmative Marketing Agreement indicating the owner's willingness to comply with this Affirmative Marketing Policy and Procedures Statement and participate in the City's Fair Housing efforts.
  - Notify the City and appropriate agencies when there are vacant units available.

- Use additional methods of announcing rentals such as advertisements in local and minority newspapers, notices to Neighborhood and Minority groups, and the use of the Equal Housing Opportunity logo or slogan.
  - Adopt procedures to inform and solicit applications from individuals not likely to apply for housing without special outreach. These would include outreach to community organizations as well as places of worship, employment centers, fair housing groups and counseling agencies.
  - Keep records describing efforts to affirmatively market vacant units as well as records assessing the results of these efforts.
3. The City will keep records describing the actions taken by the City and HOME participants to affirmatively market units and the assessments of the results of these efforts.
  4. The City will annually assess the performance of project owners in making "good faith efforts" to affirmatively market vacant units. This assessment will be based on records kept by the owner describing their efforts. If the owner fails to meet affirmative marketing requirements, the City will work with the owner to improve their performance. If the owner continues to be out of compliance, the City will consider disqualifying them from further program participation.
  5. The City will perform an annual written assessment of the effectiveness of the Affirmative Marketing Procedures in the HOME Annual Performance Report as required by HUD.

### ***Minority/Women's Business Outreach***

The City of Cambridge requires an MBE/WBE report form (see ATTACHMENTS) for each project as part of the HOME agreement. The City will continue to make every effort to encourage the inclusion of minority and women's business enterprises concerning future HOME-funded activities, consistent with 24 CFR 92.350.

The Economic Development Division of the City's Community Development Department publishes the Cambridge Minority Business Directory and the Cambridge Women's Business Directory and updates these publications bi-annually. These publications grew out of the City of Cambridge's efforts to understand and support these important and thriving business sectors of our economy. Firms are solicited from advertisements placed in local newspapers, listings from the Chamber of Commerce, and referrals from throughout the business community. The directory lists firms providing a wide range of products and services. For example, in its pages you can locate a lawyer, a construction firm, an architectural firm, an engineer, and an environmental services firm.

The publication of this directory responds to requests for a directory that will enable minority-owned and women-owned firms to network among and purchase from each other, and also provides a resource for non-minority owned companies wanting to do business with minority firms.

These publications are sent to the, purchasing departments of Cambridge's largest firms and institutions, banks and quasi-public financial institutions, public officials, and organizations providing services to minority-owned and women-owned businesses. It is also available to the public free of charge. The directory was updated and distributed in winter 2003.

### ***Match Contribution***

Section 220 of the HOME Statute requires each that as a Participating Jurisdiction, the City is required to make match contributions on a Federal fiscal year basis. The match contributions must total not less than 25 percent of the funds drawn from the PJ's HOME Investment Trust Fund Treasury account in that fiscal year, excluding certain expenditures that are not required to be matched. These include administrative/planning costs; CHDO operating expenses; CHDO capacity building; CHDO site control, technical assistance and seed money loans for projects that do not go forward; and amounts provided from sources other than State HOME funds to make up the shortfall between a local PJ's allocation and the threshold amount.

Each Field Office must use IDIS to determine the fiscal year match liability of each of its PJs. This data is contained in report number CO4PR33, which displays a PJ's total fiscal year disbursements, those disbursements requiring matching funds, and the match liability amount. In turn each PJ must submit a HOME match report (form HUD-40107-A) as part of its Consolidated Annual Performance and Evaluation Report (CAPER). Field Offices must determine compliance with the matching requirements as part of the CAPER review. The City of Cambridge produces a Match Report annually with the CAPERS Report.

### ***Neighborhood Standard Report***

HUD amended the HOME rules in October 2002 to add a new Recordkeeping requirement, 92.508(a)(3)(xiii). This addition to the HOME regulations requires that a "Site and Neighborhood Standards Report" is to be completed for all new construction rental development. The specific regulation reads as follows:

#### **§ 92.508(a)(3)(xiii) Recordkeeping.**

Records demonstrating that a site and neighborhood standards review was conducted for each project which includes new construction of rental housing assisted under this part to



determine that the site meets the requirements of 24 CFR 983.6(b), in accordance with § 92.202 (Site and Neighborhood Standards).